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Kentucky Technical Advice Memorandum
KY-TAM-18-05

SUBJECT: Application of Sales Tax to Vegetation Management Performed on Behalf of Utilities

EFFECTIVE DATE: Applies to all periods beginning after July 1, 2018

SUPERSEDES: N/A

REFERENCE: KRS 139.200(2)(g)

AUTHORITY: [KRS Chapter 13A](#)
[KRS 131.130\(8\)](#)

SCOPE: The purpose of a Technical Advice Memorandum ("TAM") is to provide direction to the public and to Department personnel. It is issued to apply principles of law to a set of facts or general category of taxpayers. The Kentucky Department of Revenue ("DOR"), in its discretion, may retroactively withdraw, revoke, or modify any TAM including, but not limited to, if there was a change in the applicable statute(s), regulation(s), case law or other DOR guidance; or if the TAM was issued in error. A TAM does not constitute a final ruling, order or determination of the DOR, and cannot be appealed.

I. Issue/Question(s)

Whether gross receipts from vegetation removal services provided by a third party contractor to a utility are subject to sales tax as landscaping services.

II. Law

Effective July 1, 2018, KRS 139.200(2)(g) imposes the sales tax on the receipts derived from the provision of landscaping services. "Landscaping services" as provided in KRS 139.200(2)(g) includes but is not limited to:

1. Lawn care and maintenance services;
2. Tree trimming, pruning, or removal services;

3. Landscape design and installation services;
4. Landscape care and maintenance services; and
5. Snow plowing or removal services.

III. Facts/Discussion

Utilities regularly hire third party contractors to trim trees and brush from power lines and other facilities located in public rights-of-way, private easements and on utility-owned land, including grass mowing and trimming in and around electric utility substations and the application of herbicides where necessary to control or eliminate vegetative growth (collectively "vegetation removal"). For purposes of this TAM, vegetation removal does not include general landscaping services provided to a utility's corporate office or other non-power generating/distribution locations. The purpose of the vegetation removal is to keep utility facilities free from interference in order to furnish adequate, efficient, and reasonable service to their customers.

IV. Conclusion

Gross receipts from vegetation removal services performed by a third party contractor on behalf of a utility are not considered to be "landscaping" or "landscaping services" subject to tax under KRS 139.200.

For questions concerning this TAM, contact Policy at DORtaxpolicy@ky.gov.

KENTUCKY DEPARTMENT OF REVENUE



Daniel P. Bork, Commissioner

Date: 10-9-2018

Frankfort, Kentucky
